

## Message Text

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ACTION L-03

INFO OCT-01 EUR-12 ISO-00 SCA-01 CPR-01 TRSE-00 /018 W

----- 113192

R 301519Z SEP 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2229

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

AMCONSUL FRANKFURT

AMCONSUL MUNICH

USMISSION USBERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

AMEMBASSY VIENNA

C O N F I D E N T I A L BONN 16563

E.O. 11652: GDS

TAGS: AFSP, PDIP, PORG, EEC, GW

SUBJECT: EC INITIATIVE ON EXEMPTING DIPLOMATIC

ESTABLISHMENTS FROM VALUE-ADDED-TAX

REF: LONDON 14719

1. A WELL-INFORMED FINANCE MINISTRY SOURCE TOLD US  
THAT THE EC COMMISSION HAS LAUNCHED AN EFFORT TO  
HARMONIZE ITS MEMBER STATES' TREATMENT OF DIPLOMATS  
AND DIPLOMATIC ESTABLISHMENTS (WHETHER THEY BE FROM  
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THE EC OR NOT) IN REGARD TO RELIEF FROM PAYMENT

OF THE VAT. THIS DOES NOT NECESSARILY MEAN, HOWEVER, THAT WHAT THE EC HAS IN MIND IS AN IMPROVEMENT IN THE SITUATION OF DIPLOMATS. IN MANY COUNTRIES, OUR SOURCE SAID, THIS COULD SIGNIFY A DISTINCT INCREASE IN THE TAX BURDEN--AS IN THE CASE OF THE FRG. THE EC IS UNDERSTOOD TO BE URGING IN ITS HARMONIZATION PROPOSAL THAT THE OFFICIAL PURCHASES OF DIPLOMATIC ESTABLISHMENTS BE EXEMPTED FROM PAYMENT OF THE TAX, BUT THAT ALL DIPLOMATIC PERSONNEL, ON THE OTHER HAND, NOT REPEAT NOT BE GRANTED ANY TAX EXEMPTION WHATSOEVER ON THEIR PERSONAL CONSUMPTION PURCHASES.

2. IN THE FRG, DIPLOMATIC PERSONNEL PRESENTLY RECEIVE REFUNDS OF THE VAT ON PURCHASES WHERE THE INVOICED AMOUNT EXCEEDS DM 500. OFFICIAL PURCHASES BY THE EMBASSY ARE TOTALLY EXEMPTED. OUR FINANCE MINISTRY SOURCE EXPRESSED THE OPINION THAT THE EC COMMISSION WANTED TO GO TOO FAR IN REDUCING THE EXEMPTION TO ZERO ON THE PERSONAL PURCHASE SIDE AND STATED THAT THE FRG DOES NOT SUPPORT SUCH A POLICY. HOWEVER, HE DID SEE THE POSSIBILITY THAT THE DM 500 LIMIT MIGHT BE RAISED, OR THAT THE EXEMPTION WOULD APPLY TO THE PURCHASE OF ONLY CERTAIN TYPES OF GOODS, E.G., AUTOMOBILES. HE GAVE NO ESTIMATE ON THE SPEED WITH WHICH THE MATTER MIGHT PROGRESS.

3. USEC BRUSSELS MIGHT BE ABLE TO CONFIRM THE ACCURACY AND THE CURRENT STATUS OF THE REPORTED COMMISSION INITIATIVE.

HILLENBRAND

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**TAGS:** AFSP, PDIP, PORG, GE, EEC  
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